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Date: MAR 1978 By: [REDACTED]

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Effective 25 March, the Fifth Fleet will be withdrawn from Japanese waters and its task of direct support in the occupation of Japan will be transferred to the Commander Naval Forces, Japan, who is under the operational control of SCAP. Included for this duty are the following naval units: the heavy cruiser, COLUMBUS, and destroyers E. F. LARSON, GOODRICH, HANSON, and H. J. THOMAS.

The Seventh Fleet, operating in the Western Pacific and Chinese coastal waters, will now include (a) Task Force 77 (normally based in the Marianas area), which consists of aircraft carriers BOXER and ANTIETAM; cruisers TOPEKA, DULUTH and ATLANTA; and 12 destroyers; and (b) the following additional combatant units: cruisers BREMERTON, CHICAGO and LOS ANGELES, 13 destroyers, 14 destroyer escorts and 2 submarines.

2. Revolt on Wallis Island imminent--The Commander of the US Naval bases at Wallis Island, Oceania, reports that an armed revolution is imminent against French authority on the island. The leaders of the revolutionary group, which comprises a majority of the population, have asked that the US take control of the island. The Commandant of the Samoan defense group has ordered the base Commander on Wallis to restrict his action to steps necessary to protect US life and property.
3. Bidault may attend Security Council meeting--Bidault has told Caffery that he will "make every effort" to attend the Security Council meeting but cannot leave Paris before 26 March. Ten days earlier Bidault had stated that he did not want to attend, and would not unless Vishinsky was to represent Russia.

EUROPE-AFRICA

4. IRAN: Soviets seek oil in return for withdrawal--Ambassador Murray reports that the Soviets have proposed to withdraw their troops from Iran in return for an agreement permitting the exploitation of northern Iranian oil by a joint Soviet-Iranian agency. Murray considers the proposal "not too bad" a solution of the problem. While he regrets that Iran may be forced to pay such a "bribe", he believes that the majority of the Iranians will probably accept the agreement. The

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Iranians realize, he adds, that if Soviet troops leave Iran it will be due solely to US action, and they will be very grateful.

5. USSR: Negotiations for long-term US loan--The Soviet Embassy in Washington has informed the State Department that the Soviet Government, in negotiating for a long-term US loan, is willing to discuss three of the nine points proposed by the US for inclusion in the negotiations. Those are (a) a treaty of friendship, commerce, and navigation, (b) the general settlement of Soviet lend-lease obligations, and (c) methods for expanding world trade and employment. While the Soviet Government is prepared to discuss other questions raised by the US, such as (a) claims of US nationals against the USSR; (b) concerted Big Three policies to assist liberated countries in solving their economic difficulties, and (c) freedom of international waterways, it feels that these matters should be discussed apart from the loan negotiations.
6. GERMANY: Soviet change on ACC--Murphy has been told by members of the Soviet delegation to the Allied Control Council in Berlin that Marshal Zhukov has been designated to act as Stalin's deputy on the Council of Foreign Ministers, and that General Sokolovsky--now Zhukov's deputy--is to replace him as the Soviet member on the Control Council.
7. FRANCE: Foreign policy--Bidault has told Caffery that France "could not possibly" orient her foreign policy towards the USSR unless the Communists take over the French Government.
8. UNITED KINGDOM: Liquidation of surplus US war stocks--The Foreign Liquidation Commission has completed negotiations for the transfer to Great Britain of all surplus US war stocks in the UK (except arms and aircraft). The transfer is within the framework of lend-lease and will probably not be completed before mid-summer.

FAR EAST

9. N.E.I.: Negotiations continue despite Dutch pessimism--Consul General Foote reports that Indonesian insistence on immediate recognition of the "Republic of Indonesia" has made Dutch officials in Batavia pessimistic of the outcome of the current negotiations.

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However, Clark Kerr has pointed out to Van Mook the success of the French-Viet Nam arrangements in French Indochina and mentioned a "Republic of Java" as a possible solution. Dutch and Indonesian reactions to this proposal are as yet unknown.

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